

The shares referred to herein are being offered in Canada, but not in the United States of America. This prospectus is not, and under no circumstances is to be construed as, a public offering of the said shares for sale in the United States of America or in the territories or possessions thereof.

New Issue

Free 9B

100,000 Common Shares

(without par value)

Electronic Associates of Canada Limited

(incorporated under the laws of Ontario)

Transfer Agent and Registrar:

Montreal Trust Company, Toronto and Montreal

Price: \$2.00 per share

We, as principals, offer these shares subject to prior sale and change in price and to the approval of all legal matters by Messrs. Wahn, McAlpine, Mayer, Smith, Creber, Lyons, Torrance & Stevenson, Toronto, on behalf of the Company and by Messrs. Stikeman, Elliott, Tamaki, Mercier & Turner, Montreal, on our behalf.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books without notice. It is expected that share certificates will be available for delivery on or about April 20, 1964.

Kippen & Company, Inc.

Members

MONTREAL STOCK EXCHANGE

CANADIAN STOCK EXCHANGE

The Investment Dealers' Association of Canada

1155 Dorchester Boulevard West, Montreal 2, Canada 866-5761

(LETTERHEAD)

ELECTRONIC ASSOCIATES OF CANADA LIMITED

April 14, 1964

KIPPEN & COMPANY, INC.,
Suite 2900
1155 Dorchester Blvd. W., Montreal 2, P.Q.

Dear Sirs:

With reference to the proposed offering of 100,000 common shares of Electronic Associates of Canada Limited (herein sometimes referred to as the "Company"), we are pleased to provide you with the following information:

Capitalization

(On completion of present financing)

| | Authorized | Issued and Outstanding |
|--|--------------|---------------------------|
| Common Shares without par value..... | 750,000 shs. | 600,000 shs. |
| Long Term Indebtedness: | | |
| 5% Sinking Fund Mortgage Debentures, Series A, due May 1, 1975..... | \$325,000(1) | \$325,000 |

NOTE (1) The aggregate principal amount of Debentures which may be outstanding at any time is unlimited subject to the restrictions contained in the Trust Indenture relating to the Debentures.

The Company

The Company, founded by Mr. Eric W. Leaver and Mr. George R. Mounce, was incorporated in 1946 and has been carrying on business continuously since that date in the field of electronics for automation and electronic instruments and controls for business and industry.

The Company has developed over one hundred new devices in the field of industrial instrumentation, radiation measurement, process control, data gathering and recording. However, the Company's main activities are now directed towards the manufacture and sale of electronic controls for the pulp and paper industry, the mining industry and radiation detecting devices for geophysical, astronomical and other research projects throughout the world. Many of the Company's products have been designed and developed by the Company's engineering and development staff and have achieved world-wide acceptance with installations in Japan, England, France, Germany, United States, South Africa, Australia, India, Bolivia and Canada.

The Company has contributed to development programs with the Ontario Research Foundation, the Pulp and Paper Research Institute of Canada, the National Research Council of Canada and Atomic Energy of Canada Limited. Other development work has been carried out in co-operation with the Ontario Paper Company Limited, Quebec North Shore Paper Company Limited, the Mead Corporation, Rio Algom Mines Limited, Macassa Gold Mines Ltd. and other major corporations.

A number of the Company's products have been selected by the Canadian Government exhibition authorities for display in trade fairs abroad. Of particular interest is the Company's "Vehicle Identification System" which has wide application in the railroad industry and was featured at the Canadian exhibit at the Seattle World's Fair.

Manufacturing Facilities

Electronic Associates of Canada Limited owns its own plant at 4616 Yonge Street, Willowdale, Ontario. The plant has a capacity of 8,700 square feet for manufacturing and research development. A new plant is now under construction at the Town of Grand Island in the State of New York by Electronic Automation Systems, Inc., a wholly owned American subsidiary. This subsidiary has been incorporated for the purpose of avoiding the American tariff barrier and locating manufacturing and sales facilities in the United States, all of which is so important to achieving a more efficient penetration of the American market for the Company's products. Electronic Automation Systems, Inc. has recently acquired inventory, patents and licenses, together with certain key technical and sales personnel of the Process Controls Group of the Electronics Division of Curtiss-Wright Corporation. Electronic Automation Systems, Inc. is currently renting manufacturing and warehouse space and carrying on business in the United States, awaiting the completion of their new plant which is expected to be in operation in the second quarter of 1964.

Sales

Up to the present time the Company's products have been sold without an extensive sales organization. Sales have been made primarily by the two principals of the Company, namely Mr. Eric W. Leaver and Mr. George R. Mounce. However, with the recent acquisition of certain assets and personnel from Curtiss-Wright Corporation the Company has established a direct selling organization in the United States and Canada.

During the fiscal years ending January 31st in each of the years 1958 to 1962, both inclusive, sales of the Company have varied between \$443,000 and \$266,000. For the eleven month period ending December 31, 1963, sales have reached \$559,000. Sales for the first three months of 1964 are estimated at \$300,000.

The main portion of the Company's sales are currently in the fields referred to above to such companies as Crown Zellerbach Corporation, Dominion Tar and Chemical Co. Ltd., Macassa Gold Mines Ltd., MacMillan, Bloedel and Powell River Ltd., Iron Ore Company of Canada Ltd., The Algoma Steel Corporation, Limited, Canadian General Electric Company, Ltd., and Ontario Paper Company Limited in Canada; The Bartol Research Foundation of the Franklin Institute, The Scott Company and the Beloit Corporation in the United States; and Albert E. Reed & Co. Ltd. in the United Kingdom. While total

sales for the last fiscal year have reached an all-time high in the Company's history, sales are expected to grow substantially during 1964 and 1965 as a result of the Company's current expansion program both in Canada and the United States which is being made possible through the completion of the Company's current financing plans.

Purpose of Issue

The Company recently sold \$325,000 principal amount of its Series A Debentures under a prospectus dated January 24, 1964. Out of the \$302,250 which the Company received from that issuance of Debentures, \$200,000 was used to repay money borrowed by the Company and advanced to and invested in Electronic Automation Systems, Inc. to enable that company to acquire the assets of the Process Controls Group of the Electronics Division of Curtiss-Wright referred to above. The balance of the proceeds of the sale of the Debentures and the proceeds from the sale of the common shares now offered will be used for the expansion of the Company's operations, for general corporate purposes and for the financing of Electronic Automation Systems, Inc. in commencing and carrying on its operations in the United States.

Through a concentrated sales program, particularly with our newly expanded products lines in the field of electronic controls for the pulp and paper industry and in the field of electronic tubes for astronomical and other research projects throughout the world, it is our belief that the Company's sales and earnings should grow rapidly and that the Company can look forward to continued expansion in the years ahead.

Yours very truly,

(Signed) E. W. LEAVER,
President.

Electronic Associates of Canada Limited
Statement of Earnings and Retained Earnings

| | For the years ended January 31 | | | | 11 months ended December 31, 1963 |
|--|--------------------------------|-------------|--------------|------------|--|
| | 1959 | 1960 | 1961 | 1962 | 1963 |
| Sales..... | \$443,226. | \$361,260. | \$309,868. | \$304,509. | \$558,878. |
| Deduct: Cost of goods manufactured and sold..... | 316,203. | 282,375. | 259,451. | 243,910. | 375,507. |
| Gross profit on trading..... | \$127,023. | \$ 78,885. | \$ 50,417. | \$ 60,599. | \$183,371. |
| Add: Royalties and commissions earned..... | 5,292. | 9,218. | 2,544. | 2,899. | 3,124. |
| Total gross profit..... | \$132,315. | \$ 88,103. | \$ 52,961. | \$ 63,498. | \$186,495. |
| Deduct: Selling, administrative and general expenses..... | 113,719. | 93,995. | 65,383. | 63,981. | 129,629. |
| Net profit or (loss) before taxes..... | \$ 18,596. | \$ (5,892.) | \$ (12,422.) | \$ (483.) | \$ 56,866. |
| Deduct: Taxes on income — U.S. withholding . . . \$1,380. — Canadian..... 2,914. | 4,294. | — | — | — | 19,420. |
| Net profit or (loss)..... | \$ 14,302. | \$ (5,892.) | \$ (12,422.) | \$ (483.) | \$ 37,446. |
| Retained earnings — at beginning..... | \$ 65,616. | \$ 79,918. | \$ 74,026. | \$ 61,604. | \$ 76,778. |
| — at close..... | 79,918. | 74,026. | 61,604. | 61,121. | 114,224. |
| The above costs, expenses and operating results include the following: | | | | | |
| Mortgage interest..... | \$ 3,360. | \$ 3,360. | \$ 3,360. | \$ 3,360. | \$ 3,080. |
| Officers' salaries (2)..... | 30,000. | 12,000. | 16,000. | 16,000. | 23,000. |
| Depreciation..... | 5,052. | 4,670. | 5,492. | Nil | 7,006. |
| Doubtful accounts written off (or recovered)..... | 8,516. | 5,818. | (7,191.) | (172.) | 19,097. |
| Net losses of the technical publications division (discontinued operations January 31, 1961)..... | (2,824.) | (17,559.) | (19,769.) | — | — |

APPROVED ON BEHALF OF THE BOARD:

(Signed) J. G. TORRANCE,
Director.

(Signed) G. R. MOUNCE,
Director.

To The President and Directors,
Electronic Associates of Canada Limited,
4616 Yonge Street, Willowdale, Ontario.

We have examined the accompanying statement of earnings and retained earnings of Electronic Associates of Canada Limited for the years ended January 31, 1959 to 1963, inclusive, and the eleven months ended December 31, 1963. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying statement of earnings and retained earnings presents fairly the results of the company's operations for the years ended January 31, 1959 to 1963, inclusive, and the eleven months ended December 31, 1963, in accordance with generally accepted accounting principles applied on a consistent basis.

Respectfully submitted,

(Sgd.) ROBERT W. ADAMS & COMPANY
Chartered Accountants

Toronto, Ontario,
January 16, 1964

Electronic Associates of Canada Limited
Balance Sheet as at December 31, 1963

Assets

CURRENT ASSETS:

| | | | |
|--|------------------|-----------------|--------------|
| Cash on hand and in bank..... | | \$ 394.73 | |
| Accounts receivable, trade..... | \$140,728.53 | | |
| Less: Allowance for doubtful accounts..... | <u>20,307.33</u> | 120,421.20 | |
| Inventories of raw materials, work in process and finished goods on hand at the lower of approximate cost or market..... | | 110,384.83 | |
| Other current receivables and prepaid items..... | | <u>4,451.07</u> | \$235,651.83 |

INVESTMENT IN AND ADVANCES TO NON-RESIDENT

| | | | |
|---|--|--|------------|
| WHOLLY-OWNED SUBSIDIARY: At cost, Note 2..... | | | 226,209.30 |
|---|--|--|------------|

FIXED ASSETS:

| | | | |
|---|------------------|-----------|--|
| Land, buildings, machinery and equipment, furniture and fixtures, and automobiles, at cost..... | \$123,968.83 | | |
| Less: Accumulated depreciation..... | <u>52,530.79</u> | 71,438.04 | |

| | | | |
|----------------|--|--|----------|
| GOODWILL:..... | | | 8,022.12 |
|----------------|--|--|----------|

| | | | |
|--|--|--|-----------|
| CORPORATE RE-ORGANIZATION COSTS: Note 3..... | | | 15,000.00 |
|--|--|--|-----------|

\$556,321.29

Liabilities and Capital

CURRENT LIABILITIES:

| | | | |
|--|------------------|--------------|--|
| Bank overdraft and demand loans secured by a general assignment of book debts..... | \$241,331.41 | | |
| Accounts payable, trade..... | 27,774.08 | | |
| Customers' advances against work in process..... | 13,014.44 | | |
| Income taxes payable..... | 18,959.76 | | |
| Provision for corporate re-organization costs, Note 3..... | 15,000.00 | | |
| Owing to directors, Note 4..... | 6,852.60 | | |
| Other current payables and accrued items..... | <u>14,161.47</u> | \$337,093.76 | |

LONG-TERM INDEBTEDNESS:

| | | | |
|------------------------|--|--|-----------|
| 6% First mortgage..... | | | 56,000.00 |
|------------------------|--|--|-----------|

CAPITAL STOCK AND EARNED SURPLUS:

Capital Stock:

Authorized: Notes 1 and 5

750,000 common shares of no par value, the aggregate consideration for the issuance of which shall not exceed, in amount or value, the sum of \$1,000,000.00

Issued and Paid: Note 4

| | | | |
|-------------------------------|--------------|--|--|
| 500,000 common shares at..... | \$ 49,003.00 | | |
|-------------------------------|--------------|--|--|

| | | | |
|---------------------|-------------------|------------|--|
| Earned Surplus..... | <u>114,224.53</u> | 163,227.53 | |
|---------------------|-------------------|------------|--|

\$556,321.29

APPROVED ON BEHALF OF THE BOARD:

(Signed) J. G. TORRANCE,
Director.

(Signed) G. R. MOUNCE,
Director.

Auditors' Report

To the President and Directors,
Electronic Associates of Canada Limited,
4616 Yonge Street, Willowdale, Ontario.

We have examined the balance sheet of Electronic Associates of Canada Limited as at December 31, 1963. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet presents fairly the financial position of the company as at December 31, 1963, in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario,
January 16, 1964

Respectfully submitted,

(Signed) ROBERT W. ADAMS & COMPANY
Chartered Accountants

Electronic Associates of Canada Limited
Pro Forma Balance Sheet as at December 31, 1963

| Assets | | |
|--|--------------|---------------------|
| CURRENT ASSETS: | | |
| Cash on hand and in bank..... | \$233,813.32 | |
| Accounts receivable, trade..... | \$140,728.53 | |
| Less: Allowance for doubtful accounts..... | 20,307.33 | 120,421.20 |
| Inventories of raw materials, work in process and finished goods on hand at the lower of approximate cost or market..... | 110,384.83 | |
| Other current receivables and prepaid items..... | 4,451.07 | \$469,070.42 |
| INVESTMENT IN AND ADVANCES TO NON-RESIDENT WHOLLY-OWNED SUBSIDIARY: At cost, Note 2..... | | 226,209.30 |
| FIXED ASSETS: | | |
| Land, Buildings, machinery and equipment, furniture and fixtures, and automobiles, at cost..... | 123,968.83 | |
| Less: Accumulated depreciation..... | 52,530.79 | 71,438.04 |
| DISCOUNT ON 5% SINKING FUND MORTGAGE DEBENTURES, SERIES A, ISSUED: Note 6..... | | 22,750.00 |
| GOODWILL..... | | 8,022.12 |
| CORPORATE RE-ORGANIZATION COSTS: Note 3..... | | 15,000.00 |
| | | <u>\$812,489.88</u> |

Liabilities and Capital

| | | |
|--|---------------------|---------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable, trade..... | \$ 27,774.08 | |
| Customers' advances against work in process..... | 13,014.44 | |
| Income taxes payable..... | 18,959.76 | |
| Provision for corporate re-organization costs, Note 3..... | 15,000.00 | |
| Owing to directors, Note 4..... | 6,852.60 | |
| Other current payables and accrued items..... | 14,161.47 | \$ 95,762.35 |
| LONG-TERM INDEBTEDNESS: | | |
| 6% First Mortgage..... | \$ 56,000.00 | |
| 5% Sinking fund mortgage debentures, Series A, Note 6..... | 325,000.00 | 381,000.00 |
| CAPITAL STOCK AND EARNED SURPLUS: | | |
| Capital Stock — | | |
| Authorized — Notes 1 and 5 | | |
| 750,000 common shares of no par value, the aggregate consideration for the issuance of which shall not exceed, in amount or value, the sum of \$1,000,000.00 | | |
| Issued and Paid: | | |
| 500,000 common shares (Note 4) at..... | \$ 49,003.00 | |
| 100,000 common shares (Note 6) at..... | 172,500.00 | |
| | <u>\$221,503.00</u> | |
| Earned Surplus..... | 114,224.53 | 335,727.53 |
| | | <u>\$812,489.88</u> |

Approved on behalf of the Board:

(Signed) J. G. TORRANCE, Director.

(Signed) G. R. MOUNCE, Director.

Auditors' Report

To the President and Directors,
ELECTRONIC ASSOCIATES OF CANADA LIMITED,
4616 Yonge Street, Willowdale, Ontario.

We have examined the pro forma balance sheet of Electronic Associates of Canada Limited as at December 31, 1963. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying pro forma balance sheet presents fairly the financial position of the company as at December 31, 1963, after giving effect to the transactions outlined in the accompanying Note No. 6, in accordance with generally accepted accounting principles applied on a consistent basis.

Respectfully submitted,

Toronto, Ontario,
March 26, 1964.

(Signed) ROBERT W. ADAMS & COMPANY
Chartered Accountants.

Electronic Associates of Canada Limited

Notes 1 to 6 to the Balance Sheets (Actual and Pro Forma) as at December 31, 1963

1. On November 1, 1963, supplementary letters patent were issued to the company giving effect to the following:
 - (a) A change of name from Electronic Associates Limited to Electronic Associates of Canada Limited.
 - (b) A change from a private company to a public company.
 - (c) A reduction in the authorized capital by cancelling the unissued preference shares previously authorized.
 - (d) A sub-division of the 2,253 previously issued common shares without par value into 371,745 common shares without par value.
 - (e) An increase in the authorized capital by creating an additional 375,508 common shares without par value.

30 preference shares, previously outstanding, were called for redemption, effective November 19, 1963.

After the aforesaid redemption, cancellation, subdivision and increase, the authorized capital of the company consisted of 750,000 shares without par value, the aggregate consideration for the issuance of which shall not exceed in amount or value the sum of \$1,000,000.00.

2. The investment in and advance to the non-resident, wholly-owned subsidiary, Electronic Automation Systems, Inc., of Grand Island, N.Y., consists of the following in Canadian dollars:

| | |
|------------------------------------|---------------------|
| 110 shares of common stock at..... | \$118,603.12 |
| 6% promissory note receivable..... | 86,853.75 |
| Open account advances..... | 20,752.43 |
| Total..... | <u>\$226,209.30</u> |

A balance sheet of Electronic Automation Systems, Inc., as at December 31, 1963, was reported on with opinion by Price, Waterhouse & Co., Buffalo, N.Y., and accompanied by explanatory notes, which disclosed the following:

- (a) The subsidiary company, while incorporated September 19, 1963, had not yet commenced operations as at December 31, 1963, and consequently, no statement of earnings was provided.
- (b) The value of the parent company's holdings in the share capital of the subsidiary company at December 31, 1963, was unchanged from that at the date of acquisition, subject however, to the deferred start-up costs carried on the balance sheet in the amount of \$37,979.06 U.S. dollars, to be written off against future earnings of the subsidiary company.
- (c) On November 15, 1963, the subsidiary company purchased from Curtiss-Wright Corporation, under a firm agreement, inventories of raw material, work in process and finished goods, equipment on lease and loan, demonstration equipment, manufacturing test equipment, and tools and patents, at a price in U.S. dollars equivalent to \$200,000.00 Canadian dollars, plus the assumption of certain warranty obligations of the seller, the amount of which is not readily determinable and accordingly, is not reflected in the subsidiary's accounts.
3. It has been estimated that the legal and audit fees, printing, government fees and all other miscellaneous expenses of the company relating to the corporate re-organization, the issue and sale of the \$325,000.00 principal amount of 5% Sinking Fund Mortgage Debentures referred to below, and the financing, now proposed, will not exceed \$15,000.00, for which full provision has been made.
4. Prior to December 31, 1963, notes payable to two of the directors, amounting to \$46,715.97, were reduced by \$40,000.00, being consideration for the issue to them of 128,255 common shares out of the 750,000 authorized. The balance of the company's indebtedness to directors is shown among the current liabilities.
5. The company proposes to grant the following options on 50,000 shares of the remaining 150,000 unissued common shares:

| | |
|----------------------------|---|
| (a) To Management: | 25,000 shares at .50 per share |
| | 15,000 shares at .75 per share |
| | <u>40,000 shares for four years from December 1, 1963, and at \$1.00 per share for a further four years</u> |
| (b) To Another Individual: | 10,000 shares at .50 per share for four years from December 1, 1963 |
| Total: | <u>50,000</u> |

6. The pro forma balance sheet of Electronic Associates of Canada Limited is the actual balance sheet as at December 31, 1963, after giving effect to the following:

| | |
|---|---------------------|
| (a) The issue and sale (which has been completed since December 31, 1963) of 5% Sinking Fund Mortgage Debentures Series A, issued at \$93. per \$100. under a deed of mortgage and trust, containing sinking fund provisions, and the security of a fixed and specific mortgage pledge and charge on certain property of the company (subject to certain existing mortgages on the real property) and a first floating charge on the undertaking and all other assets, maturing May 1, 1975, callable at any time at par and bearing interest of 5% per annum commencing January 1, 1965..... | \$325,000.00 |
| Less: Discount..... | 22,750.00 |
| Net proceeds..... | <u>\$302,250.00</u> |

The application of the net proceeds of the debenture issue to pay the bank overdraft and demand loans amounting to \$241,331.41 with the excess funds amounting to \$60,918.59 being added to the general funds of the company.

- (b) The issue and sale of 100,000 shares of the company's capital stock offered by the prospectus for a total consideration of \$172,500.00 cash and the provision for estimated expenses of \$5,000.00 in connection therewith, which \$5,000 is included in the \$15,000 mentioned in Note 3.

STATUTORY INFORMATION

1. Electronic Associates of Canada Limited (hereinafter called the "Company") has its head office at 4616 Yonge Street, Willowdale, Ontario.
2. The Company was incorporated under the laws of the Province of Ontario by Letters Patent dated January 26, 1946, as amended by Supplementary Letters Patent dated November 1, 1963.
3. The Company transacts and proposes to transact the business of manufacturers and distributors of and researchers in electronic, electric and chemical appliances.
4. The officers and directors of the Company are:

| NAME IN FULL | PRESENT OCCUPATION | HOME ADDRESS | OFFICE |
|---------------------------|-----------------------|--|---|
| ERIC WILLIAM LEAVER..... | Executive | 4 Roycrest Ave., Toronto, Ontario | President and Director |
| GEORGE RALPH MOUNCE..... | Executive | 18 Bridle Path, Toronto, Ontario | Vice-President and Secretary-Treasurer |
| JAMES GRAYSON TORRANCE... | Lawyer | 28 Stonegate Rd., Toronto, Ontario | Assistant-Secretary and Director |
| HAROLD GORDON MEISNER... | Investment Dealer... | 123 Aberdeen Ave., Westmount, P.Q. | Director |
| JACK JAMES BROWN | Executive | 166 Chester Ave., Town of Mount Royal, P.Q. | Director |

5. The auditors of the Company are Robert W. Adams & Company, Chartered Accountants, 55 York Street, Toronto.
6. Montreal Trust Company at its principal Toronto office, 112 King Street West, Toronto, Ontario and at its principal Montreal office, Place Ville Marie, Montreal, P.Q., is the transfer agent for the common shares of the Company. Registers on which the Debentures hereinafter referred to may be registered and transferred are maintained by The Royal Trust Company at its principal Toronto office, 66 King Street West, Toronto, Ontario, and at its Montreal office at 630 Dorchester Boulevard West, Montreal, P.Q.
7. The authorized capital of the Company consists of 750,000 common shares without any nominal or par value, the aggregate consideration for the issuance of which shall not exceed in amount or value the sum of \$1,000,000, or such greater amount as the Board of Directors of the Company may deem expedient on payment to the Provincial Treasurer of the fees payable on such greater amount and the issuance by the Provincial Secretary of a certificate of such payment, of which shares 500,000 common shares are outstanding as fully paid and non-assessable common shares.
8. All of the shares of the Company are of one class and rank pari passu.
9. The Company has issued \$325,000 principal amount of 5% Sinking Fund Mortgage Debentures, Series A, due May 1, 1975 under and pursuant to an Indenture dated as of December 15, 1963 and entered into between the Company and The Royal Trust Company, as Trustee.

The Series A Debentures are secured under and pursuant to the Indenture which provides that it constitutes: (i) a fixed and specific first pledge of and on all the capital stock of the Company's subsidiary, Electronic Automation Systems, Inc. now outstanding; (ii) a fixed and specific mortgage, pledge or charge on the Company's lands, buildings, fixed plant, fixed machinery and fixed equipment (subject however to existing mortgages bearing interest at the rate of 6% per annum on which there is now owing not more than \$60,000 for principal and interest); and (iii) a first floating charge on the undertaking and assets of the Company not specifically mortgaged.

The fixed and specific mortgage, pledge and charge and the floating charge created by the Company are also expressed to cover all future acquired assets of the nature described respectively in clauses (i), (ii) and (iii) above, subject to Permitted Encumbrances, Purchase Money Mortgages and other exceptions specifically provided for in the Indenture.

The Indenture contains provisions for the release of properties and assets in the events and upon the conditions set forth therein.

The Indenture provides for the issuance from time to time of additional Debentures, subject to the restrictions contained in the Indenture. The Indenture contains a number of covenants usual in indentures of a similar nature and provides that, so long as any Series A Debentures are outstanding, the Company will not declare or pay any dividends (other than dividends payable in the capital stock of the Company) on, or apply any of its property or assets to the purchase, redemption or other retirement of or set apart any sum for the payment of any dividends on or for the redemption or other retirement of or make any other distribution by reduction of capital or otherwise in respect of any shares of any class in the capital stock of the Company unless immediately after giving effect to such action, Consolidated Net Current Assets (as defined in the Indenture) will be not less than the greater of (i) \$200,000, or (ii) 50% of the principal amount of the Funded Obligations (as defined in the Indenture) then outstanding.

10. The Company has caused a wholly-owned subsidiary, Electronic Automation Systems, Inc., to be incorporated under the laws of the State of New York (certificate of incorporation dated September 19, 1963). Under a contract dated October 29, 1963, the subsidiary acquired from Curtiss-Wright Corporation certain assets including machinery and equipment, inventories, patents, patent applications, trademarks and rights under sundry agreements, and assumed certain liabilities, including warranties and liabilities and obligations under a patent licence agreement and other contracts, relating to the Process Controls Group of the Electronics Division of Curtiss-Wright Corporation. The purchase price was \$185,560 (U.S.), equivalent to \$200,000 in Canadian currency. In addition, the subsidiary agreed to pay Curtiss-Wright Corporation an amount equal to 50% of the total of the lease and rental income in excess of \$17,500 (U.S.) earned by the subsidiary within a period of one year from the date of closing the purchase under certain lease and rental agreements acquired by the subsidiary under the purchase contract. The Company has guaranteed the obligations of its subsidiary under this purchase contract.

The subsidiary is now erecting a plant on a site of approximately three acres in the Town of Grand Island, State of New York. The plant will contain approximately 7,200 square feet of floor space of which approximately 6,000 square feet will be manufacturing and storage space and 1,200 square feet will be engineering, sales and general office space. The cost of the plant (exclusive of the land, which has been donated) is estimated to be approximately \$94,000 (U.S.).

Arrangements have now been made by the subsidiary to finance the cost of the plant by a first mortgage loan of \$47,000 (U.S.) from its bankers at 6% interest and by second and third mortgage loans from Buffalo-Niagara Industrial Development Corporation in the amounts of \$28,200 (U.S.) and \$18,800 (U.S.) respectively and bearing interest at 2¾% and 6% respectively.

The Company will guarantee the repayment of these loans by the subsidiary and will subordinate to those loans the debt of \$80,560 (U.S.) now owing by the subsidiary to the Company.

As a condition of these loans the Company has agreed not to pay any dividends until the total of its paid-up capital and surplus reaches \$163,000 or which would reduce its paid-up capital and surplus below that amount.

The subsidiary will also incur liabilities for office equipment, factory equipment, tools and fixtures required to operate the plant, the cost of which, it is estimated, will not exceed \$20,000.

To assist in financing the subsidiary, the Company has provided \$110,000 (U.S.) by purchasing shares in the capital stock of the subsidiary; has loaned the subsidiary \$80,560 (U.S.) which loan bears interest at 6% per annum and has made open account advances to the subsidiary which at December 31, 1963 amounted to \$20,752.43 (Canadian). The Company also proposes to lend money to and/or guarantee the indebtedness of the subsidiary to the extent required from time to time to commence and carry out its operations.

Effective September 1, 1963, the Company added a Sales Manager, and three service men to its staff and the subsidiary took on staff one senior engineer and four sales and service men.

Except as set out above or in paragraph 27 hereof, the Company does not propose to create or assume any substantial indebtedness which is not shown in the financial statements as at December 31, 1963 forming part of this prospectus.

11. The Company has issued an option in favour of Eric W. Leaver and George R. Mounce, who are directors of the Company, covering 40,000 common shares now unissued, exercisable for a period of four years from December 1, 1963 at 50¢ per share as to 25,000 shares and 75¢ per share as to 15,000 shares, and thereafter for a further four-year period at \$1.00 per share. The Company has also issued an option to Mr. J. J. Brown, a director of the Company, covering 10,000 shares of the Company now unissued at the price of 50¢ per share for a period of four years from December 1, 1963.

12. 100,000 common shares without par value are offered by this prospectus as set in page 1 hereof. Pursuant to an agreement dated January 23, 1964 the Company sold to Kippen & Company, Inc. the \$325,000 principal amount of Series A Debentures referred to above at the price of \$93 per \$100 principal amount. The Company actually received for such Debentures the sum of \$302,250. The legal, auditing, printing and other miscellaneous expenses in connection with the issue borne by the Company did not exceed \$10,000.

13. The estimated net proceeds to be derived by the Company from the 100,000 common shares now offered on the basis of such securities being fully taken up and paid for will be \$172,500 less legal, auditing, printing and other miscellaneous expenses in connection with the issue which it is estimated will not exceed \$5,000.

14. The proceeds of the present issue will be used for general corporate purposes and to finance the subsidiary in commencing and carrying on its operations as set out in paragraph 10 hereof.

15. No minimum amount need be raised by the Company in order to pay for the purchase price of any property, preliminary expenses, commissions or the repayment of bank loans or of any moneys borrowed by the Company.

16. By agreement dated April 14, 1964, Kippen & Company, Inc. agreed to purchase from the Company the 100,000 common shares now offered at the price of \$1.72½ per common share.

17. The by-laws of the Company provide that the remuneration to be paid to the directors shall be such as the Board shall from time to time determine and such remuneration shall be in addition to the salary paid to any officer of the Company who is also a member of the board of directors. The directors may also by resolution award special remuneration to any director undertaking any special services on the Company's behalf other than the routine work ordinarily required of a director by the Company and the confirmation of any such resolution or resolutions by the shareholders shall not be required. The directors shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of the Company.

18. The aggregate remuneration paid by the Company during its last financial year to directors of the Company as such was nil and, to officers of the Company who individually received remuneration in excess of \$10,000 per annum was \$24,000. The estimated amount to be payable during the current financial year to directors of the Company as such is estimated to be nil and to officers of the Company who may be entitled to receive a remuneration in excess of \$10,000 per annum is estimated to be \$30,000.

19. No amount has been paid within the two preceding years or is payable as a commission by the Company for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company. Reference however, is made to the arrangements with Kippen & Company, Inc., referred to in paragraphs 12 and 16 above.

20. The Company has been carrying on business for more than one year.

21. Reference is made to paragraph 10 for particulars of the property purchased by the Company's subsidiary from Curtiss-Wright Corporation. The Company's subsidiary acquired full ownership in the assets so acquired although certain of such assets were in the possession of others under lease or rental agreements.

22. The Company's subsidiary paid \$200,000 to Curtiss-Wright Corporation for the property acquired by it as above mentioned.

23. Within the two preceding years, no securities have been issued, or agreed to be issued, as fully or partly paid up otherwise than in cash, except as referred to in Note 4 to the attached Balance Sheets.

24. Common shares of the Company only are being offered under this prospectus.

25. No services have been rendered or are to be rendered to the Company that are to be paid for by the Company wholly or partly out of the proceeds of the securities offered by this prospectus or have been within the last two preceding years or are to be paid for by securities of the Company with the exception of legal, auditing, printing and other miscellaneous expenses relating to the corporate reorganization, the issue of the Series A Debentures above referred to and this financing. Reference is however made to the arrangements made with Kippen & Company, Inc. referred to in paragraphs 12 and 16 above.

26. No amount has been paid within the two preceding years or is intended to be paid to any promotor.

27. In addition to contracts in the ordinary course of business the Company has within the two preceding years entered into the guarantee dated October 29, 1963 with Curtiss-Wright Corporation referred to in paragraph 10 above, the Indenture (including a supplemental indenture) as of December 15, 1963 referred to in paragraph 9 above, the agreements with Kippen & Company, Inc. referred to in paragraphs 12 and 16 above, a guarantee dated March 3, 1964 of the obligations of the Company's subsidiary under a loan agreement dated March 11, 1964, under a promissory note dated March 11, 1964 and under a mortgage dated March 11, 1964 in favour of the subsidiary's bankers in respect of the mortgage loan of \$47,000 (U.S.) referred to in paragraph 10 above, an agreement dated February 6, 1964 with the Company's subsidiary and Buffalo-Niagara Industrial Development Corporation providing, amongst other things, for the guarantee by the Company of the second and third mortgage loans to the Company's subsidiary referred to in paragraph 10 above and for the subordination of the existing indebtedness of \$80,560 (U.S.) now owing by the subsidiary to the Company and for the restriction on dividend payments as referred to in paragraph 10 above, the options dated January 29, 1964 referred to in paragraph 11 above, employment agreements dated January 29, 1964 with each of Eric W. Leaver and George R. Mounce providing for their employment by the Company for a three-year period commencing February 1, 1964, a contract of life insurance dated February 11, 1964 on the life of George R. Mounce in the amount of \$100,000 and a contract of accident insurance dated March 7, 1964 in respect of Eric W. Leaver in the amount of \$100,000. The Company has applied for a policy of life insurance on the life of Eric W. Leaver in the amount of \$100,000 but at present it does not know whether it will be possible to effect this insurance.

Copies of the agreements and indentures above mentioned may be inspected at the head office of the Company, 4616 Yonge Street, Willowdale, Ontario, at any time during regular business hours during the period of primary distribution to the public of the common shares offered by this prospectus.

28. No director has any interest in any property proposed to be acquired by the Company.

29. The Company has been carrying on business for more than three years.

30. Eric W. Leaver, 4 Roycrest Avenue, Toronto and George R. Mounce, 18 Bridle Path, Toronto, by reason of beneficial ownership of securities of the Company, are in a position to, or are entitled to, elect or cause to be elected a majority of the directors of the Company. Eric W. Leaver and George R. Mounce have agreed with Kippen & Company, Inc. that so long as any Series A Debentures are outstanding two-fifths of the directors shall be directors nominated by Kippen & Company, Inc., and if and so long as the aggregate amount of Series A Debentures retired (whether through sinking fund redemptions or otherwise) does not average \$32,500 in respect of any two consecutive fiscal years of the Company during the period commencing May 1, 1966 and ending when all the Series A Debentures have been retired, Messrs. Leaver and Mounce shall vote their shares to the end that three out of six of the members of the Board of Directors of the Company shall be nominees of Kippen & Company, Inc.

31. Under an escrow agreement, the 330,000 common shares of the company beneficially owned by Eric W. Leaver and George R. Mounce have been deposited with Montreal Trust Company in escrow until January 15, 1966 subject to release prior to that date only on written authorization signed by Messrs. Leaver and Mounce and Kippen & Company, Inc.

32. No dividends have been paid during the five preceding years upon any shares in the capital stock of the Company.

33. Under date of September 26, 1963, the Company gave notice of termination of a distribution contract under which Kohler Coating Machinery Corporation of Greentown, Ohio (which is indebted to the Company in an amount of approximately \$20,000) previously distributed certain of the Company's products in the United States. The contract provided for termination on six months' notice.

There have been claims and cross claims as between the Company and Kohler Coating Machinery Corporation but no litigation has been commenced. Upon giving notice of termination, the Company commended promoting the sale of its products in the United States through its own organization.

In the opinion of management, adequate provision has been made in the Company's accounts, and in the financial statements attached hereto, for any loss in connection with this matter.

The Company proposes to change its fiscal year-end from January 31st to December 31st. This may make it desirable to negotiate changes in the sinking fund provisions contained in the Indenture referred to in paragraph 9 above.

DATED this 14th day of April, 1964.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required under the Quebec Securities Act and there is no further material information applicable other than in the financial statements, or reports where required or exigible.

Directors

(Signed) J. G. TORRANCE

(Signed) G. R. MOUNCE

(Signed) E. W. LEVER

(Signed) H. G. MEISNER

(Signed) J. J. BROWN by his agent, H. G. MEISNER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required under the Quebec Securities Act and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

KIPPEN & COMPANY, INC.

by (Signed) W. BRUCE KIPPEN

The following are the names of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of Kippen & Company, Inc.: W. Bruce Kippen, Donald W. S. Mackenzie, Eric D. B. Kippen, Anthony A. Kippen.